
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt, as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or any other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold all or transferred all your shares in Benefun International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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BENEFUN INTERNATIONAL HOLDINGS LIMITED

奮發國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1130)

DISCLOSEABLE TRANSACTION

1 April 2004

* *for identification purpose only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:—

“Acquisition”	the acquisition of the Sale Shares by FECL;
“Agreement”	the acquisition of shares agreement dated 11 March 2004 entered into between FECL on the one part as purchaser and Chen & Zhong on the other part as vendors relating to the acquisition of all the issued shares of the PRC Company;
“Board”	the board of Directors of the Company;
“Chen”	陳立彬 (Chen Libin*);
“Company”	Benefun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange;
“Directors”	directors of the Company;
“FECL”	Fun (Xiamen) Enterprise Corporation Limited;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	A piece of land with an area of 26,427.83m ² located at Zhangzhou City, Fujian Province, the PRC (宗地編號為2003挂 – 01號) (Lot No.: 2003 Gua – 01*);
“Latest Practicable Date”	30 March 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“PRC Company”	漳州市高暉房地產開發有限公司 (Zhangzhou City Gao Hui Property Development Company Limited*);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	all the issued shares of the PRC Company;

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DEFINITIONS

“Shares”	ordinary shares of the Company of HK\$0.01 each;
“Shareholder(s)”	the shareholder(s) of the Company;
“Share Options”	the share options held by the Directors as disclosed in the annual report of the Company in 2003;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhong”	鍾媽明 (Zhong Maming*)
“1st Consideration”	a sum of RMB3,280,000.00 being the consideration for the acquisition of all the issued shares of the PRC Company;
“2nd Consideration”	a sum of RMB34,091,901.00 being the auction price for acquisition of the Land;
“HK\$”	Hong Kong Dollars;
“%”	per cent.

For the purpose of this circular, the exchange rate for RMB to HK\$ is 1.06 to 1.

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BENEFUN INTERNATIONAL HOLDINGS LIMITED

奮發國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive directors:

Mr. Tan Sim Chew (*Chairman*)

Ms. Chen Miao Zhu

Mr. Fu Zi Cong

Mr. Lo King Fat, Lawrence

Independent non-executive directors:

Mr. Wong Kwai Sang, Kays

Mr. Tsang Chun Pong

Registered office:

Ugland House
South Church Street,
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
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Principal place of business:

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Hong Kong Office:

23rd Floor
Sing Ho Finance Building
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Hong Kong

To the shareholders

and for information only to the Optionholders

Dear Sir and Madam,

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
ACQUISITION TO THE ENTIRE SHARE CAPITAL OF THE PRC COMPANY**

1. INTRODUCTION

The Directors announce that FECL, a wholly owned subsidiary of the Company, entered into the Agreement dated 11 March 2004 for the acquisition of all the issued shares of the PRC Company in the 1st Consideration and the PRC Company has committed to acquire the Land in the 2nd Consideration at a public auction and the PRC Company has not paid the 2nd Consideration. The Acquisition constitutes a discloseable transaction under the Listing Rules and further details are set out below. The purpose of this circular is to provide you with further information of the Acquisition.

* for identification only

LETTER FROM THE BOARD

2. THE AGREEMENT

Date and Parties

Date:	11 March 2004
Purchaser:	FECL
Vendors:	Chen & Zhong are PRC citizens and businessmen and are independent third parties who are not connected with the directors, chief executive and substantial shareholders of the Company and any of their subsidiaries or any of their respective associates (as defined in the Listing Rules). As at the date of this announcement, the Vendors do not hold any interest in the share capital of the Company.

The Agreement

The Agreement was signed on between Chen and Zhong as one party, and FECL as another party. The latter is a wholly owned subsidiary of the Company. Pursuant to the Agreement, Chen & Zhong transferred the Sale Shares to FECL in the 1st Consideration. The PRC Company has committed to acquire the Land of 26,427.83m² located at Zhangzhou City, Fujian Province, the PRC (宗地編號為2003挂 – 01號) (Lot No.: 2003 Gua – 01*) in the 2nd Consideration and the PRC Company has not paid the 2nd Consideration. Apart from the 1st Consideration, FECL has to inject a sum of RMB34,091,901.00 into the PRC Company in order to complete the acquisition of the Land. As the aggregate amount of the 1st Consideration and the 2nd Consideration represents 48.7% of the consolidated assets of the Group in accordance with the annual report of the Company dated 30 June 2003, the Agreement constitutes a discloseable transaction under the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, FECL has agreed to acquire from Chen & Zhong the Sale Shares in the 1st Consideration. The PRC Company has agreed to acquire the Land in the 2nd Consideration through a public auction and the PRC Company has not paid the 2nd Consideration. After completion of the acquisition of the Sale Shares, the PRC Company becomes an indirect wholly owned subsidiary of the Company and FECL holds all the issued shares of the PRC Company.

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LETTER FROM THE BOARD

Consideration

A sum of RMB3,280,000.00 payable by FECL for the acquisition of the Sale Shares was arrived at after arm's length negotiation between FECL, Chen & Zhong and with reference to the valuation of the share capital paid by Chen & Zhong in the PRC Company. The terms of the Agreement were determined on normal commercial terms. Taking into account of the commitment given by the PRC Company in respect of the acquisition of the Land in a sum of RMB34,091,901.00, the total amount of investment relating to the Agreement is RMB37,371,901.00 which includes the value of the net tangible assets acquired (RMB3,280,000.00) and the value of the Land acquisition commitment determined by public auction (RMB34,091,901.00). 1st Consideration will be funded by internal resources of the Group and 2nd Consideration will be funded by bank loans and internal resources of the Group. The Directors will not provide personal guarantees for the application of the bank loans but the Company shall consider to mortgage the Land to facilitate the application of the bank loans.

Payment Terms

Pursuant to the Agreement, FECL shall pay the 1st Consideration to Chen & Zhong by way of four instalments, FECL has paid the 1st instalment in a sum of RMB1,000,000.00 to Chen & Zhong upon execution of the Agreement and FECL shall pay the remaining three instalments, each instalment is in a sum of RMB760,000.00, to Chen & Zhong on 15 April 2004, 15 May 2004 and 16 June 2004 respectively. Completion of the acquisition of Sale Shares will take place on 15 April 2004.

Other Terms

According to the Agreement, FECL is not required to give any guarantee for the acquisition of the Sale Shares and there is no pre-condition for the completion of acquisition of the Sale Shares except payment of the 1st Consideration pursuant to the Agreement. Any party who breaches the Agreement has to compensate all the damages incurred by the other party.

3. INFORMATION ON THE COMPANY & FECL

The Company is an investment holding company and FECL, being a wholly owned subsidiary of the Company, is a wholly foreign-owned enterprise with a registered capital of S\$15,300,000.00 and the principal activity of FECL is fashion trading, production and retailing, development of property for sale and lease. The net asset value of the Group as at 30 June 2003 as disclosed in its annual report in 2003 was HK\$72,432,000.00.

4. INFORMATION ON THE PRC COMPANY

The PRC Company was a limited liability company duly incorporated in compliance with the laws in the PRC on 28 July 1999 and has the right to operate the business of property development, operation and management. Chen owns 49% of the total issued shares capital of the PRC Company and Zhong owns 51% of the total issued shares capital of the PRC Company. The PRC Company did not have any actual business operation since its incorporation and does not prepare any audited financial statement.

LETTER FROM THE BOARD

The principal business of the PRC Company is property development, operation and management. According to the unaudited balance sheet of the PRC Company as at 30 September 2003, the registered share capital of the PRC Company is RMB3,280,000.00 which was fully paid up by Chen & Zhong, the assets of the PRC Company comprise the Land and its registered share capital only and the PRC Company does not have any liability except its commitment to acquire the Land and a debt in a sum of RMB62,133.38.

5. REASONS FOR THE ACQUISITION

The business of the Company through its subsidiary consists of garment manufacturing and retailing. The Company is actively looking for further opportunities to diversify its operation and income source. Since the Land can be used for property development for residential and commercial purposes, the Directors believe that the Agreement represents an opportunity to acquire land development right, explore other business and is in the interest of the Company and the Shareholders as a whole. The Company intends to develop the Land for a building with six storeys including the ground floor and the units on the ground floor of the building would be used for commercial purpose and the rest of the units will be used for residential purpose. As indicated in the interim report of the Company in March 2003, the Group has initiated a small-scale property development project in Zhangzhou of Fujian Province, the Directors believe that the Company can allocate appropriate management expertise for the business development of the Land.

6. ADDITIONAL INFORMATION

Your attention is drawn to the General Information as set out in the appendix to this circular.

By Order of the Board
Benefun International Holdings Limited
Tan Sim Chew
Chairman

Hong Kong, 1 April 2004

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omissions of which would make statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors or the chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they are taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which were required to be entered into the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance or which are required, pursuant to the Model Code for Securities Transaction by the Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares
Tan Sim Chew	211,105,226
Chen Miao Zhu	6,500,000
Fu Zi Cong	574,000

Save as disclosed herein and the Share Options, as the Latest Practicable Date:

- (a) None of the Directors or chief executives of the Company had any interest in the Shares, underlying shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they are taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which were required to be entered into the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance or which are required, pursuant to the Model Code for Securities Transaction by the Directors of Listed Companies to be notified to the Company and the Stock Exchange;
- (b) none of the Directors was materially interested in any contract or arrangement with any member of the Group subsisting which was significant in relation to the business of the Group taken as a whole; and
- (c) save as disclosed in this section, the Directors were not aware of any person who held or was beneficially interested in 10% or more of the issued share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company or any member of the Group or held any options in respect of any such capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or was proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year within payment of compensation other than statutory compensation).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the persons having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the Part XV of the Securities and Futures Ordinance were as follows:–

	Number of ordinary shares personally interested	Percentage of total issued shares
Tan Sim Chew	211,105,226	18.65

Save as disclosed herein, as at the Latest Practicable Date, as far as the Directors were aware, there was no person other than the Directors who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

6. GENERAL

- (a) The secretary of the Company is Mr. Lo King Fat, Lawrence, who is an associate member of the Hong Kong Society of Accountants.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Hopewell Centre, Shops 1712-1716, 17th Floor, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.